



Directorate of
Intelligence

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Latin America Review

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19 July 1985

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25X1

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	<i>Page</i>	
Articles		
Costa Rica: Improving the Security Force	1	25X1
		25X1
In response to perceptions of growing threats from Nicaragua and from domestic extremists, President Monge has increased efforts to improve the ability of Costa Rica's modestly equipped security force to preserve internal order and resist external aggression.		25X1
Belize: Challenges Ahead		25X1
		25X1
Prime Minister Esquivel's government is being challenged by economic problems, growing drug trafficking, and a territorial dispute with Guatemala.		25X1
Colombia: "Narcodollars" and the Balance-of-Payments Problem		25X1
		25X1
President Betancur's government is experimenting with measures designed to maximize the inflow of foreign exchange that could have the side effect of encouraging increased inflows of narcotics profits from foreign safehavens.		25X1
Argentina: Emerging Nuclear Supplier		25X1
<i>American Embassy, Buenos Aires</i>		
Years of heavy investment and consistent government support are enabling Argentina to approach its goal of becoming a major exporter of nuclear materials and technology.		
		25X1
		25X1
Briefs		
Brazil: The Baumgarten Case		25X1
Argentina: Labor's Stance Toward Economic Program		25X1
Cuba: Expanding Commercial Ties With African and Arab States		25X1

Cuba Chronology

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*Articles have been coordinated as appropriate with other offices within CIA.
Comments and queries regarding this publication may be directed to the Chief,
Production Staff, Office of African and Latin American Analysis,*

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Articles

Costa Rica: Improving the Security Force [REDACTED]

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Costa Rica has relied on its modestly equipped, 8,000-member civil and rural guards for internal and external security since the professional army was abolished in 1949. In recent months—responding to perceptions of growing threats from Nicaragua and domestic extremists—President Monge has increased efforts to professionalize the security force while keeping its size the same. His goal is to improve the civil and rural guards' ability to preserve internal order and to resist external aggression until friendly nations send assistance. Although a consensus on security measures has been slow in coming, support for the President's policy appears to have coalesced in the aftermath of civil guard fatalities in a border skirmish in late May with Nicaragua. [REDACTED]

The present security force is poorly trained, modestly equipped, and suffers from a rapid turnover rate. Many members are replaced every four years under the political patronage system, and others choose better paying civilian jobs, [REDACTED]

[REDACTED] At times of clashes between the Sandinistas and Eden Pastora's insurgent forces in Costa Rican territory, the guards have been largely ineffective due to a limited transport capability, lack of heavy weapons, and inexperience. [REDACTED]

Increased activity by Costa Rican extremists on both the left and the right also concerns the Monge administration. In May, two demonstrations led by the Communist Popular Vanguard Party protesting the presence of US advisers resulted in confrontations with police. Embassy reporting indicates that Communists are supplying weapons for land invasions by unemployed banana workers in the south and anticipate armed actions against government forces. On 10 June several hundred members of the Free Costa Rica Movement—a conservative organization

that reportedly has a paramilitary wing and maintains its own training facility—attacked the Nicaraguan Embassy in San Jose in reaction to the 31 May Sandinista border incursion. The following day Costa Rican police arrested two members of a rightwing group that apparently dynamited powerlines in the northwest to stop the sale of electricity to Nicaragua. Some civil guard reservists probably were also involved in the bombing, [REDACTED]

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Improving Intelligence

The government's vulnerability has prompted Monge to revamp the Costa Rican intelligence service. The new Directorate of Intelligence and Security (DIS), established in February, comprises some 130 armed men responsible directly to the President. Its tasks include monitoring subversive activity, surveillance of refugees, conducting clandestine operations, countering terrorism, and liaison with foreign security services. The DIS has the authority to carry out arrests and to inspect premises without a search warrant. [REDACTED]

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To ensure a cadre of professional intelligence officers, Monge reportedly has sought personal assurances from leading presidential candidates that his successor will leave the DIS intact. Only the two top positions will be appointive. Recent DIS successes suggest that changes in the organization already are producing results. Intelligence officers managed to break a bank robbery case earlier this year and played a vital role in the capture of a major Mexican drug trafficker in April. [REDACTED]

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The Public Security Ministry is attempting to establish a separate intelligence collection apparatus

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ALA LAR 85-016
19 June 1985

within the rural guard. While still in the early stages of searching for personnel and equipment, [REDACTED]

smaller Communist-led protests resulted in clashes with police, according to press reports. [REDACTED]

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Nonetheless, negative public reaction to civil guard fatalities suffered in a Nicaraguan crossborder raid on 31 May effectively overwhelmed the criticism of US aid. In the Legislative Assembly, the motion to censure Piza failed by a wide margin, and the deputies condemned Nicaragua instead. Both the ruling party and the main opposition party closed ranks behind the President and called for strong measures—presumably including US aid—against the Sandinistas. Monge now appears to enjoy a public consensus for improving the capabilities of the public security forces, although most Costa Ricans still strongly oppose reviving a professional military. [REDACTED]

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Foreign Military Assistance

After a 13-year lapse, [REDACTED]

[REDACTED] and the level has jumped to \$9 million this year. In May, US special forces advisers began training a 750-man counterinsurgency battalion—the country's first—at a facility in northwestern Costa Rica near the Nicaraguan border. The battalion, which will be equipped with mortars, antitank recoilless rifles, and its own transport, is structured to operate as a single unit or as four independent companies, according to US Embassy reports. Its mission is to serve as a "trip-wire"—in the event of an invasion the battalion would be able to resist for several hours, until friendly countries send assistance. [REDACTED]

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Prospects

It is likely that security modernization efforts will continue, given wide public support and the likelihood of continued tensions with Nicaragua. Because the presidential candidates of the two major parties are in favor of strengthening defense capabilities, the trend probably will continue after a new administration takes office in May. Further border incidents with Nicaragua are likely because Costa Rican security detachments are scattered along the border, and Sandinista reconnaissance teams have pursued insurgents into Costa Rican territory on several occasions. [REDACTED]

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The Panamanian Defense Force plans to provide basic military training to some 150 rural guardsmen in Costa Rica this year, [REDACTED]

[REDACTED] Previous Panamanian assistance in 1983 and 1984 was of limited help because of a high dropout rate during training. [REDACTED]

[REDACTED] and in 1983 sent submachineguns, rifles, and radios. [REDACTED]

Political Fallout

[REDACTED] They sponsored a motion to censure Public Security Minister Piza for allowing foreign "troops" to enter Costa Rica without legislative approval. The ensuing debate, [REDACTED] prompted the government to delay a US helicopter training exercise. In mid-May, more than 500 students, professors, and legislators demonstrated against the US presence, and two

Nonetheless, the rural and civil guard has a long way to go before becoming a professional force. As long as the patronage system prevails, the turnover rate will be high and security training efforts will have little effect. While the administration currently enjoys political support for modernization, economic constraints—high unemployment and the pressures of IMF scrutiny—will make it extremely difficult for San Jose to increase spending levels on security in the near term. It is unlikely, for example, that the government will offer salaries high enough to compete with the private sector, and upgrading of weaponry and other equipment will depend largely on generous foreign assistance. [REDACTED]

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**Belize:
Challenges Ahead** []

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The seven-month-old government of conservative Prime Minister Manuel Esquivel is being challenged by longstanding economic problems, growing drug trafficking, and a territorial dispute with Guatemala. Despite Esquivel's desire to address these issues by cultivating closer ties with the English-speaking Caribbean—with which Belize shares ethnic, linguistic, and historical affinities derived from a common colonial past—economic and other realities probably will prompt him to turn increasingly to the United States for economic aid and security guarantees. []

Economic Problems

Belize's economy is facing a difficult adjustment away from dependence on the sugar industry, which accounts for more than half of domestic exports. Low world sugar prices and a reduced US quota have severely hurt Belize's largest employer. The US Embassy reports that 93 workers were laid off in May from one of the country's two main sugar mills, and the closure of the other major facility in late June is expected to contribute either directly or indirectly to the loss of more than 1,000 jobs. Failure to diversify to other agricultural exports, such as citrus, coffee, and cacao, is making the production of marijuana—90 percent of which is destined for the United States—increasingly attractive to planters in northern Belize, according to US Embassy reports. Although Belize's location, climate, and favorable land/population ratio make agricultural diversification feasible, a weak infrastructure, together with high energy costs, have impeded efforts to attract badly needed private-sector investment from outside sources. []

Esquivel appears early in his administration to be having more success than his predecessor in developing foreign investment and technical assistance opportunities. US Embassy reporting, for example, indicates that a visit to Belize in early March by a South Korean investment team laid the groundwork for follow-on visits later this year to discuss prospective Korean plywood manufacturing

and cannery plants in Belize and joint ventures in fishing and other fields. Seoul, however, is likely to link such assistance to the establishment of diplomatic relations between the two countries. Taiwan officials also appear interested in hydropower, hotel, and air service projects in Belize and reportedly have offered to provide a technical assistance mission once an official request is received. US investors, meanwhile, are helping local businessmen to diversify the country's agricultural base by developing citrus, cattle, and lumber operations. Marking an important new source of foreign exchange earnings, Belize resumed meat exports to the United States in June for the first time since 1980 following its recertification by US authorities last April. []

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Despite these modest gains, high unemployment and underemployment—which combined hover around 40 percent—and planned austerity measures in adherence to an IMF standby program, threaten to undermine popular support for the government. Opposition leaders, for example, quickly used the recent sugar mill closing to organize a peaceful demonstration by some 1,600 workers to protest not only the mill's closure, but also Esquivel's economic policies in general. US Embassy officials assess that pressure on the government to provide jobs is likely to increase as Belize's young population—over 50 percent of the country's inhabitants are under age 20—and the influx of growing numbers of unskilled immigrants from Central American countries further strain the economy and government services. []

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Belize and the Caribbean

Historically, Belize has maintained extensive economic links with other English-speaking Caribbean states through its membership in regional agencies such as the Caribbean Community and Common Market (CARICOM), the Caribbean Development Bank, and the Caribbean Association of Industry and Commerce. Nevertheless, these

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institutions continue to suffer from a lack of capital for production and export financing, and have been ineffective over the last decade in coordinating regional development projects. US Embassy reporting, for example, indicates that CARICOM members still exchange only modest amounts of goods, mainly raw commodities, and intraregional trade in agricultural produce accounts for less than 1 percent of total imports. [redacted]

Belize has attracted some investment from Jamaica and Trinidad and recently agreed to a CARICOM proposal for a protective policy for regional produce. The size and absorptive capacity of Caribbean markets, however, are likely to remain too limited to stimulate export growth in Belize. Capital flow into the region under the auspices of the US Caribbean Basin Initiative probably will stimulate individual Caribbean economies, but any expansion of Belizean trade with the area is more likely to be a side effect of its gearing up for growing access to US markets. [redacted]

Growing Drug Trade

Despite Esquivel's willingness to cooperate with the United States on drug eradication programs, burgeoning marijuana cultivation and trafficking, as well as corruption among some senior officials, threaten to undermine the integrity of internal security and law enforcement measures. The US Embassy reports that the drug trade is becoming increasingly institutionalized, as the number of Belizeans who profit from it continues to grow. The Minister of Home Affairs has noted publicly that members of the National Police and other government officials are involved in corruption related to drug trafficking. There are also growing indications of significant smuggling activity in the triborder area with Guatemala and Mexico, which may heighten concern that the narcotics underworld possibly serves as a conduit for arms trafficking in the region. [redacted]

In an attempt to counter anticipated opposition from growers and traffickers to renewed aerial spraying, Esquivel is seeking foreign assistance in creating a Bureau of Narcotics Control, Prevention, and Treatment to educate the public and build popular support for the drug eradication program, according to US Embassy reporting. Although CARICOM

members have attempted to foster regional cooperation on law enforcement measures to curtail drug activity, lack of resources and corruption probably will continue to undercut such efforts. Consequently, Esquivel probably will look beyond the Caribbean and rely mostly on US help. [redacted]

Foreign Policy

Since gaining independence in 1981, growing international and regional recognition of Belize as an independent state makes it possible for the Esquivel government to focus on immediate security concerns, such as the longstanding territorial dispute with Guatemala. Prospects for resolving the dispute have improved recently with the inclusion in the new Guatemalan Constitution of an article that will empower a new civilian government in Guatemala City—scheduled to take office in January—to negotiate more directly with the government of Belize, rather than through London. The turnaround, in our view, is important because it reflects at least de facto recognition by the Guatemalans for the first time of the reality of Belizean sovereignty. Although a permanent settlement appears unlikely in the near future, Esquivel probably will request US assistance in facilitating future negotiations with Guatemala. [redacted]

Belize has remained relatively isolated from the political instability and violence of Central America, and Esquivel has said that he will not condone the presence of US troops in the country for fear of being drawn into the regional turmoil. While we expect Esquivel to take a cautious attitude toward US military activities, he probably will cooperate with Washington on some matters of regional policy. For example, Esquivel already has agreed to the construction of a Voice of America broadcasting station in Belize. Anticipating the eventual withdrawal of the British, we believe Belize ultimately will turn to the United States in an effort to bolster internal security and may request a specific arrangement with Washington for defense against an external threat. In the interim, however, Esquivel is attempting to improve morale and professionalism in the 600-man Belize Defense Force. [redacted]

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Outlook

Esquivel is unlikely to depart significantly from the foreign policy objectives of his predecessor and almost certainly will remain committed to limited involvement in Central America. Nevertheless, his government probably will be more aggressive in pursuing Western economic aid as well as military guarantees from the United States. Although Belize probably will continue to maintain close cultural, economic, and political ties with other countries in the Caribbean, the region's inability to marshal sufficient resources to meet its economic and security goals probably will prompt Belize to draw closer to the United States. 

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**Colombia:
"Narcodollars" and the
Balance-of-Payments Problem** [REDACTED]

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Only two countries in Latin America—Colombia and Paraguay—have survived the negative economic forces that buffeted LDCs over the past several years without rescheduling their external debt service obligations. We judge that, in the case of Colombia, inflows of drug money helped sustain its international position during the years that the "oil price shock" crippled other nonpetroleum producing countries. More recently, however, traffickers have brought fewer dollars back to Colombia, and this, combined with a sustained depression in the coffee export business, has substantially reduced foreign exchange receipts. In an effort to avoid harsh austerity measures, President Betancur's government is experimenting with measures designed to maximize the inflow of foreign exchange. This could have the side effect of encouraging increased inflows of narcotics profits to Colombia from foreign safehavens.

[REDACTED]

Background

We calculate that drug money first became important in Colombia's external account balance about a decade ago when funds from the burgeoning cocaine trade were added to the already substantial receipts from the marijuana business. Most academic research estimates indicate that, by the mid-1970s, drug money accounted for at least the equivalent of 15 percent of all foreign exchange receipts. The clandestine inflow of US dollars was sufficient to create a major upheaval in the exchange markets; from 1975 through 1981 the value of the dollar on the Colombian black market was consistently below that offered by the Central Bank. [REDACTED]

The annual drug money flow into Colombia apparently peaked in 1980 at about \$2 billion. Although the Central Bank opened a "ventanilla siniestra" (no questions asked window) in 1980 to capture additional drug money revenues, the inflow shrank to less than \$1 billion in 1984, according to US Embassy estimates. The traffickers' disinclination to return funds to Colombia—a concern shared by legitimate businessmen—resulted in part from Colombia's deteriorating economic situation. It also

Colombia: Money Laundering Techniques

Before the Colombian traffickers discovered gold, drug revenues generally entered Colombia as:

- *Dollars or other dollar instruments smuggled by traffickers. An unknown portion of such cash is exchanged for pesos on the currency black market.*
- *Pesos supplied by exchange houses against dollars received in Colombia or elsewhere. A considerable share of these receipts may be reported falsely as tourist revenues.*
- *Smuggled goods.*
- *Under invoiced imports with the discounted balance paid in dollars abroad.*
- *Receipts for phony or overinvoiced exports.* [REDACTED]

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reflected increased financial sophistication by traffickers, who began to hold more of their profits outside the country in dollars rather than spending them in Colombia to enhance their lifestyle and their position in society. [REDACTED]

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After 1982, trafficker disenchantment—reflected in reduced dollar inflows—was reinforced by actions taken by the newly elected Betancur administration. In October 1982, only two months after taking office, Betancur closed the notorious "ventanilla siniestra." The government campaign against traffickers following the assassination of Justice Minister Lara in May 1984 also altered patterns of drug money movement. Clandestine dollar flows into Panama from Colombia increased, [REDACTED]

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[REDACTED] Traffickers have rearranged their trafficking routes and sought cocaine refining sites elsewhere, thus redirecting new investments to non-Colombian sites. Some traffickers also have left Colombia with their money. [REDACTED]

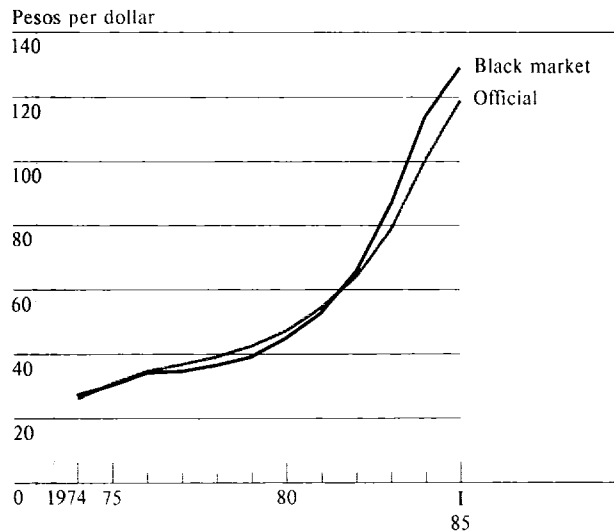
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Colombia: Official and Black-Market Dollar Exchange Rates, 1974-85



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Betancur's Policy Changes

Faced with a worsening international cash flow and under intense pressure to turn around a deteriorating economy, Betancur has proposed two measures designed to reverse capital outflow:

- A tax amnesty on funds from abroad provided that they are invested in high-priority development projects during a specified time period.
- Legalized entry of imports purchased with private foreign exchange held abroad.

These measures, if enacted, could have the additional effect of encouraging inflows of narcotics dollars.

Most of the funds held abroad by Colombians are in the hands of traffickers rather than legitimate businessmen. The traffickers, most of whom are also engaged in smuggling other contraband, will especially welcome the second provision, which legalizes such contraband transactions.

Neither of these measures has been approved, but some evidence suggests traffickers take Betancur's proposals as signifying a new relaxed attitude and

may already be moving more drug money into Colombia. During the first few months of 1985, \$91 million entered the country under the heading of service income, including tourism, financial transfers, and "other." Tourism alone showed income of \$9.3 million in the last week of February, compared to less than \$1 million during that period in 1984. Economic experts say that the depressed tourist industry could not possibly have generated such sums. We conclude, therefore, that the increased "earnings" represent drug money entering Colombia through the exchange house system—a mechanism regularly employed to transfer drug revenues under the cloak of tourist income.

The Gold Rush

An action taken by the government last year also has the effect of encouraging inflow of narcotics profits.

As a quick fix to reverse the decline in foreign exchange holdings, in March 1984 the Central Bank¹—the sole legal purchaser of locally produced bullion—set a peso price for gold some 30 percent above the world market level. The declared purpose of this measure was to prevent illegal gold exports, but the net effect is to enable the Bank to finance the current account deficit in part by reselling smuggled gold for foreign exchange. During 1984 gold purchases by the Bank totaled 700,000 troy ounces, but domestic output was less than 500,000 troy ounces.

Colombia sold on the international market all the gold the Bank had purchased, as well as 2.5 million troy ounces from its stockpile in 1984.

¹ In Colombia the President exercises control over the Central Bank through his finance, planning, development, and agriculture ministers, who constitute a majority of its board of governors.

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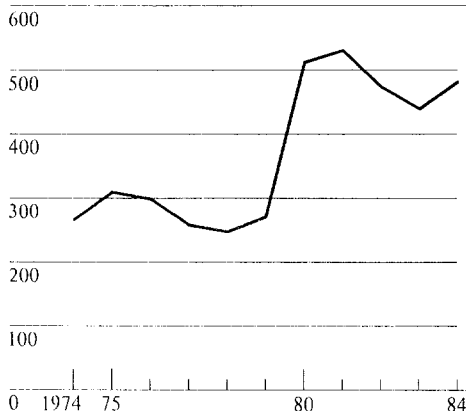
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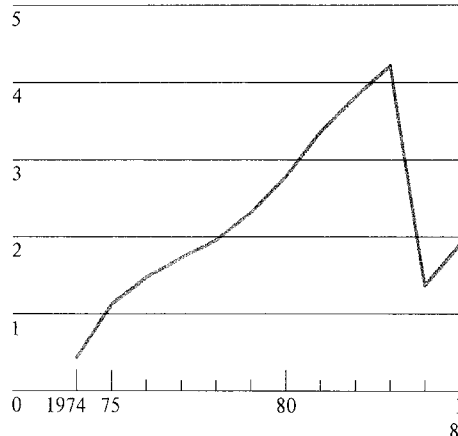
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Colombia: Gold Indicators

Production^a
Thousand troy ounces



Stock^b
Million troy ounces



^a Based on amount reaching smelters.

^b End of period.

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Costa Rica almost certainly is one source of gold for traffickers. According to the San Jose press, Costa Rican officials claim that up to 70 percent of the country's gold output is being smuggled abroad despite premium prices offered by the government. They allege that traffickers are the principal purchasers. The Costa Rican press speculates that the traffickers are outbidding the government for local bullion, but we consider it more likely that they obtain a discount by offering to deposit dollars in offshore bank accounts held by the sellers.

Costa Rica in 1984 could have supplied at most only 70,000 of the 200,000 troy ounces of non-Colombian gold apparently acquired by the Colombian Central Bank.

Venezuela as a supplier. The officially recorded gold output of Brazil, Peru, Bolivia, and Ecuador in 1983 was 1.8 million troy ounces, and, in our view, substantial unrecorded output probably enters the underground trade. Whatever its origin, we judge the gold entered Colombia from neighboring areas via established smuggling routes exploited by traffickers.²

Outlook

We believe that at present only a small fraction of the money earned by Colombia's traffickers actually returns to the country. According to our estimates, traffickers remove between \$3 and \$6 billion annually

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Colombia: Current Account, 1980-85

Million US \$

	1980	1981	1982	1983	1984 ^a	1985 ^b
Current account balance	-159	-1,895	-2,895	-2,838	-2,840	-2,995
Trade balance	-238	-1,544	-2,189	-1,755	-1,650	-1,495
Exports, f.o.b.	4,062	3,219	3,215	3,002	2,950	3,205
Of which, coffee	2,375	1,459	1,577	1,537	1,799	1,850
Imports, f.o.b.	4,300	4,763	5,404	4,757 ^c	4,600 ^c	4,700 ^d
Net services and transfers	79	-351	-706	-1,083	-1,190	-1,500

^a Estimated.^b Projection.^c Reflects tightening of nonessential imports and accelerated monthly devaluation pace.^d Reflects easing of import restrictions to comply with IMF-monitored self-imposed economic adjustments.

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from the United States—a sum at least as large as the projected Colombian current account deficit for 1985. In addition, Colombian traffickers obtain large profits from Europe, the second most important market, and are establishing operations in such other affluent areas as Australia and the Persian Gulf. [redacted]

term to turn a blind eye to the source of the needed revenues. Antidrug pressure from the United States and other consuming countries, as well as the behavior of the traffickers themselves, also will influence government actions. A relatively low profile by traffickers could lead to easing of government pressure on them and eventual facilitation of their financial transactions. A new round of trafficker-promoted violence on the other hand, undoubtedly would cause an outraged government to close all the drug money windows. [redacted]

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The availability of such large revenues may be too much temptation for any financially strapped government to withstand. How far the Colombian Government will go to siphon off some of the enormous dollar pool will depend on a number of factors. Other economic options will affect attitudes within Colombia toward accommodation of drug money movements. In the short term, interim bank loans under IMF monitoring may reduce the temptation to attract drug money, but persistent economic problems—austerity and depressed living standards—may provide an incentive over the longer

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Argentina: Emerging Nuclear Supplier

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Following is the text of a recent telegram from the US Embassy in Buenos Aires on Argentina's efforts to become a major exporter of nuclear materials and technology:

After years of heavy investment and consistent government support to its nuclear program, Argentina's 30-year vision of becoming Latin America's first nuclear supplier is now approaching reality. Through umbrella agreements with 18 countries, Argentina trains foreign nuclear physicists and engineers at its research facilities and exports nuclear materials and technology such as uranium concentrate, zircalloy tubing and radioisotopes, research/training reactors, nuclear laboratories, and production facilities. By the end of the decade, important materials sensitive to nonproliferation may be on the Argentine Government's supplier menu, including heavy water, enriched uranium, and plutonium.

Through nuclear exports, the country hopes to gain international prestige and political leverage as well as to realize earnings. The recently concluded agreements with China and Algeria gave a much-wanted boost to Argentina's nuclear industry. And while Argentina has little chance of competing broadly with traditional nuclear supplier countries, political factors, including Argentine Government nonproliferation policies, make Argentina an attractive alternate in some cases.

Argentine Export Capabilities

Argentina, with ongoing assistance from the West Germans and Swiss, and from Canada and the United States in the past, has nearly acquired the full nuclear fuel cycle. At present, Argentina can export nuclear materials such as yellowcake (natural uranium), uranium dioxide, zircalloy tubing, and radioisotopes for research, medicine, and agriculture. Current exports of nuclear services include basic training of nuclear physicists and engineers in Argentina, radiological protection and safety techniques, and postgraduate research for foreigners in Argentina's

nuclear laboratories. Argentina also exports research and training reactors, production plants for radioisotopes, and physics, chemistry, and biology laboratories.

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In the near future, Argentina hopes to be capable of exporting enriched uranium (1986), plutonium (1988), and heavy water (1987). The Argentines will also add the capability to export low-enriched fuel elements for research reactors (1986) and of producing small- and medium-power reactors (up to 300 MW) by the end of the century. Moreover, the Tandem ion accelerator, scheduled for operations this year, will give Argentina a facility unique in Latin America for physics research.

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Current Nuclear Cooperation

Argentina has nuclear cooperation accords with a number of countries. While many of the agreements are inactive, Argentina is supplying significant nuclear training, technology, and material to several countries:

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- *Algeria.* Argentina will construct in Algeria a nuclear research reactor similar to the RA-6 training/research reactor at the atomic center in Bariloche. The bilateral agreement also provides for cooperation in the production and utilization of radioisotopes in medicine, industry, and agriculture, as well as Argentine National Atomic Energy Commission (CNEA) grants to Algerian scientists for training in Argentina.
- *Brazil.* In addition to the basic nuclear accord, there are agreements between the atomic energy commissions of Brazil and Argentina for human resources training and technical information exchange. Argentina loaned 240 tons of yellowcake and is providing 140,000 meters of zircalloy tubing for Brazil's Angra fuel elements. Brazil is fabricating the pressure vessel for the Argentine

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Table 1
Argentine Nuclear Products

Facility	Completion	Safeguards	Products
Embalse Power Reactor	In operation	Yes	Cobalt-60
Arroyito Heavy Water Plant	1987/88	Yes	Heavy water, 250 tons per year
Atucha Heavy Water Plant	1985	No	Heavy water, 3 tons per year
Uranium Concentration	In operation	NA	Yellowcake, 180 tons per year
Uranium Conversion, Cordoba (FRG)	In operation	Yes	Uranium dioxide, 180 tons per year
Uranium Conversion, Cordoba (NTL Line)	1987	No	Uranium dioxide, 150 tons per year
Fuel Element Fabrication, Ezeiza	In operation	Yes	Atucha I fuel elements
Fuel Element Fabrication, Ezeiza	In operation	No	Embalse fuel elements
Special Alloys Plant, Ezeiza	In operation	?	Zircalloy tubing
Plutonium Reprocessing, Ezeiza	1988	No	Plutonium, 15 kilos per year
Uranium Enrichment, Pilcaniyeu	1985 (Phase I)	No	200-percent enriched uranium, 500 kilos per year; uranium hexafluoride; zirconium sponge; sulfur hexafluoride
RA-1 Research Reactor, Constituyentes	In operation	Yes	Radioisotopes
LEU Fuel Fabrication, Constituyentes	1985	No	Low enriched uranium fuel
RA-3 Research Reactor, Ezeiza	In operation	Yes	Radioisotopes
Radioisotope Production Plant, Ezeiza	In operation	Yes	Radioisotope preparation/packaging
Radiosterilization Plant, Ezeiza	In operation	NA	Medical, other products

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Atucha II reactor. Recently, the two countries agreed to increase mutual access to each other's nuclear facilities.

- *Chile.* In 1983 Argentina and Chile signed a supplementary nuclear agreement, under which radioisotopes produced in Chile's research reactor will be provided to Argentina when the latter's RA-3 reactor is out of service. The accord also calls for cooperation in fuel cycle and heavy water technology, areas of Argentine expertise. In August 1984 the two countries concluded an agreement for assistance in the manufacture of nuclear fuel elements for research reactors, the training of Chilean personnel, and the construction of an experimental fuels manufacturing plant.
- *China.* Although no details have yet been formulated, Argentina and China are studying cooperation in nuclear power plants, the nuclear fuel cycle, low-power reactors, and technician training.

- *Colombia.* In December 1981 Argentina and Colombia agreed on a two-year action plan, extended in 1983, for nuclear cooperation calling for exchanges of nuclear experts and scholarships and for training Colombian scientists in Argentina. Argentina completed an evaluation study for the installation in Colombia of a pilot plant for the treatment of uranium ore and the production of yellowcake. The Colombian Institute for Nuclear Affairs also adopted in 1982 an Argentine proposal for the installation of a 3-MW research, training, and radioisotope production reactor, including a radioisotope-handling facility and associated laboratories, at an estimated cost of \$50 million. Aside from some technical contacts, no action has been taken to implement the project because of Colombian budget restrictions.

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Table 2
Argentine Nuclear Agreements

Country	Signed	In Force	Duration	Comments
Algeria	1985
Bolivia	1970	1971	Unlimited	Renewed automatically
Brazil	1980	1980	50 years	Renewed automatically
Canada	1976	1976	15 years	Renewed automatically
Chile	1966	1983	5 years	Renewed automatically
China	1985	...	15 years	Renewed automatically
Colombia	1967	1972	Unlimited	...
Ecuador	1977	1979	5 years	Renewed automatically
Germany, West	1971	1971	2 years	Renewed automatically
India	1974	1981	5 years	Renewed by mutual agreement
Italy	1965	1965	10 years	Renewed until 17 February 1985
Libya	1974	Agreement has lapsed
Paraguay	1967	1970	Unlimited	...
Spain	1978	1978	5 years	Renewed automatically
United States	1969	1969	30 years	...
Uruguay	1968	1972	Unlimited	...
Venezuela	1979	1980	5 years	Renewed automatically
Yugoslavia	1982	No	10 years	Renewed by mutual agreement

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- *Peru.* Initiated in 1977, "Project Peru" commenced with the installation in laboratories in Lima of a zero-power reactor for research and training. A second phase, presently under way, involves the construction of a 10-MW reactor at the nuclear research center being constructed at Huarangal. In addition to the reactor, Argentina is building a radioisotope production facility and laboratories for radioisotopes, radiological protection and safety, and nuclear physics and chemistry research. Argentine financing includes a \$90 million loan. Enriched uranium for the reactor is being provided by the Soviet Union and has already been delivered to Argentina for fabrication into fuel elements. The project suffers from delays caused by Peruvian and Argentine economic difficulties; completion of the project is presently scheduled for the end of 1986.

- *Uruguay.* Argentina has trained Uruguayan scientists in CNEA facilities and supplies radioisotopes for use in medicine and agriculture.

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Prospects for Future Cooperation

According to CNEA's director of international cooperation, Roberto Ornstein, agreements are under negotiation with four additional countries. Nuclear discussions recently took place with Guatemala and Turkey, according to press reports. Under present agreements, the Argentines have discussed building a subcritical facility for Bolivia, and undertaking a feasibility study for the construction of a nuclear center for Uruguay. According to Ornstein,

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Argentina is also discussing additional nuclear cooperation with India. []

Government sources indicate CNEA President Constantini recently concluded a confidential agreement with the West German firm Kraftwerk Union (KWU) under which CNEA is to act as the KWU representative for Latin America. Reportedly signed in West Germany following the October 1984 IAEA meeting in Vienna, the agreement authorizes CNEA to export nuclear reactor parts designed with West German technology. []

The Argentine nuclear industry also is intensely interested in participating in the Chinese nuclear power program, and there have been several Argentine visits to China to discuss possible participation. In addition, Argentine participation with West Germany in China was discussed during recent CNEA visits to West Germany. The results of the Argentine-German consultations reportedly were "very positive." []

With the startup of the Tandem ion accelerator this year, Argentina hopes to make the facility the centerpiece of atomic physics research in the country and an important research center for Latin America. Under the ARCAL (Regional Agreement for Cooperation in Latin America) there are nine projects with various Latin countries for research at Tandem. The Argentine Government also wants to have Tandem become the site of a Latin American center for applied physics. []

Argentina's Objectives as a Nuclear Supplier

Argentina hopes to become the nuclear supplier of choice for Latin America, offering the full range of nuclear services, including research reactors, heavy water, low-enriched fuel elements, and eventually the construction of small power reactors (150 to 200 MW), which the Argentines believe will be easier to construct and be more useful for the smaller electric networks found in Latin countries. Through these exports, the Argentine Government hopes to realize earnings to justify years of heavy investment in its nuclear program. []

More important, many in CNEA and the nuclear industry see nuclear cooperation and exports as the only way to guarantee Argentine freedom of nuclear

action internationally and to assure the very survival of the nuclear industry. Industry spokesman Raul Boix Amat believes internal Argentine demand for nuclear energy is insufficient to justify the economic existence of a discrete nuclear industry, and, according to CNEA's Jaime Pahissa Campa, "Argentina can only survive the enormous international pressures aimed at stopping its nuclear development if it establishes a firm network of international ties with countries that share its position with regard to maintaining independence." []

Argentina also sees its role as a nuclear supplier as a means to increase its leadership role in the region, furthering political interests by reinforcing cooperative ties. At the 1983 Argentine-sponsored First Colloquium for Nuclear Energy Authorities of Latin America, attended by nuclear representatives from 13 Latin American countries, then CNEA president Adm. Carlos Castro Madero called for a "Latin American community that is solid, integrated, stable, and linked by development in all fields. Latin Americans have the right to . . . all technology that contributes toward improving the quality of life in our countries." More recently, President Alfonsin in May 1985 ceremonies commemorating the 35th anniversary of Argentina's nuclear program emphasized the importance of nuclear cooperation to regional integration. []

Argentine industry cites the transfer of technology under "Project Peru" as an important example of cooperation and integration between Latin American countries. According to industry spokesmen, the transfer of advanced technology "no longer is the exclusive right of just highly industrialized countries." []

Nonproliferation Implications

Alfonsin's government this year committed itself to IAEA safeguards on all nuclear exports but, in conformity with the Argentine Government's policy on its own program, has not opted to seek full-scope safeguards as a condition of supply. The government sees this policy as contributing to Argentine export competitiveness. For example, the government's willingness to export nuclear technology to Algeria

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without requiring full-scope safeguards was probably a factor in its winning a contract to build a nuclear reactor over US competition. [redacted]

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At the same time, the Argentine Government is aware that lack of full-scope safeguards on its own nuclear program may cost it nuclear exports. The prime example is Westinghouse's inability to associate with Argentine companies in bidding on a nuclear power plant in Egypt because of Argentina's incompletely safeguarded nuclear program. (Even so, the rejection of Argentine participation was characterized in May by CNEA adviser Carlos Rinaldi as a superpower attempt to frustrate Argentina's nuclear program in order to avoid competition.) [redacted]

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Nonetheless, the government believes its "strict compliance" with IAEA "information circular/66" safeguards is an important contribution to the global nonproliferation effort. In citing the safeguards provisions of the nuclear accords with Algeria and China, CNEA international cooperation director Ornstein stated that Argentine exports will create important new safeguards links to these countries.

[redacted]

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Even with safeguards, Argentine exports of sensitive nuclear material, such as enriched uranium and heavy water, would affect US interests were exports made to Middle and Far Eastern countries such as Libya, Iran, or Pakistan. While this is unlikely under Alfonsin, we cannot rule it out under future Argentine governments. Thus, US efforts to win Argentina's acceptance of full-scope safeguards on its own program, as well as to promote a responsible Argentine attitude toward nuclear exports, are increasingly important as Argentina's capabilities as a nuclear supplier grow. [redacted]

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Latin America Briefs

Brazil

The Baumgarten Case

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President Sarney's government has launched its first inquiry into human rights abuse during the era of military rule. The government has opened an investigation into the 1982 murder of Alexandre von Baumgarten, a prominent Brazilian journalist who reportedly had compiled information on activities of the Brazilian National Intelligence Service (SNI). Retired rightwing Gen. Newton Cruz, who was a senior SNI officer at that time, is widely believed to have been involved in the killing.

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Many officers are concerned that the revival of the case will lead to prosecutions of other military personnel.

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There is little popular support in Brazil for Argentine-style trials of military officers.

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Argentina:

Labor's Stance Toward Economic Program

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The powerful General Confederation of Workers (CGT) is restraining its criticism of President Alfonsin's tough new anti-inflation program, even though the plan may well lead to higher unemployment and real wage cuts. The Confederation, which has close ties with the opposition Peronist party, vehemently rejected the program when it was first announced in mid-June. With polls subsequently indicating widespread public support, however, labor leaders shifted to a more cautious posture. Although they have continued publicly to insist that the government avoid massive layoffs and maintain equitable wage levels, CGT leaders also have been engaging in talks with government officials about various

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ALA LAR 85-016
19 June 1985

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aspects of the program, according to the US Embassy. [REDACTED]

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Labor's wait-and-see posture gives Alfonsin some political breathing room to implement his program. According to the US Embassy, however, neither side has any illusions that the Confederation's de facto truce with the government is permanent. With Congressional elections scheduled for November, labor bosses will be looking for ways to turn public opinion against Alfonsin and his Radical Party. We expect the CGT and its Peronist allies—who also have shown restraint toward Alfonsin's economic program—to criticize and exploit politically any upsurge in inflation or other signs that the program is faltering. [REDACTED]

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Cuba**Expanding Commercial Ties With African and Arab States** [REDACTED]

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Cuba is seeking increased trade and commercial ties with several African and Arab states in order to diversify export markets, earn badly needed hard currency, and provide employment opportunities for its young population. Characteristic of this push have been Havana's efforts to rebuild commercial ties with Egypt, which declined severely during former Egyptian President Sadat's regime. [REDACTED]

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[REDACTED] Havana also is bidding on a dam construction project in Algeria, and has sent a delegation there to explore opportunities for increased bilateral relations, according to press reports. [REDACTED]

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In Sub-Saharan Africa, Ghana recently signed its first trade protocol with Cuba, covering more than 35 Cuban products, including sugar, farm machinery, and medicines, according to press reports. In addition, the Cubans have offered to sign commercial accords with Zaire and supply Cuban construction workers for various industrial and civic projects. [REDACTED]

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[REDACTED] Although Cuba's dealings with Sub-Saharan Africa offer little in hard currency earnings, they could provide work for large numbers of young unemployed Cubans, whom the government fears may become discontented without opportunities to practice newly acquired skills. [REDACTED]

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Cuba Chronology

June 1985

1 June

Foreign Minister Malmierca stops in Mexico City en route to Trinidad and Tobago to attend the ninth meeting of the Caribbean Development and Cooperation Committee.

He tells reporters that the immigration agreement between the United States and Cuba will remain suspended until Radio Marti ends.

Politburo member Jorge Risquet delivers a message to Luanda from Fidel Castro congratulating an Angolan Army patrol that neutralized a South African unit attempting to blow up oil facilities in Cabinda.

The Cuban National Bank discloses that Moscow pays Havana 10 times the world price of sugar as part of its long-term support for the Cuban Government.

Education Minister Jose Fernandez is greeted in Caracas by Minister Secretary of the Presidency Carmelo Lauria and delivers a letter from Fidel Castro to President Lusinchi.

2 June

In an interview with Folha De Sao Paulo, Fidel Castro declares that the world is enduring a third world war, an undeclared economic war, and charges that capitalism is to blame.

3 June

Minister of Transportation Guillermo Garcia accompanies French Minister Guy Lengagne on a visit to the Institute of Transportation Research in Havana.

Deputy Chairman of the Council of Ministers Humberto Perez arrives in Bulgaria and is greeted at the airport by Stanish Bonev.

Vilma Espin meets with more than 200 delegates from 24 countries who are participating in the Latin America and Caribbean women's meeting in Havana. Fidel Castro also meets with the delegates.

4 June

Malmierca meets in Port of Spain with Errol Mahabir, Minister of Labor, Social Security and Cooperatives, to discuss expanding existing cultural exchanges and trade.

Malmierca arrives in Caracas on an unofficial visit to participate in the International Symposium for Education on Peace.

A protocol for the application of nuclear technology in the economy and other areas is signed by Fidel Castro Diaz-Balart and his Vietnamese counterpart Nguyen Dinh Tu.

5 June

At a press conference in Caracas, he claims that there are real risks of a US invasion of Nicaragua that would originate mainly from Honduran territory.

Brazilian deputies Alfredo Campos and Teodorico Ferraco, while visiting Cuba, say they believe it is an urgent matter for their government to resume diplomatic relations with Cuba.

Soviet official Andronki Mel'Konovich Petrosyants and Fidel Castro Diaz-Balart sign a cooperation agreement on the peaceful use of the atom and construction of the Juragua nuclear power plant.

Cuba asks Western banks and governments for more flexible terms in the repayment of its foreign debt. Cuba has \$3.4 billion in foreign debts to the West and has to repay \$260 million this year.

6 June

Fidel Castro meets with Andronik Melkonovich Petrosyants, Chairman of the Soviet Committee for the Utilization of Atomic Energy to discuss construction of the Juragua nuclear power plant.

Carlos Rafael Rodriguez receives Romanian official Ion Ceausescu to review bilateral economic relations during the present five-year period and the possibility of increasing these relations.

Guillermo Garcia Frias and French official Guy Lengagne sign a protocol in Havana which anticipates exchanges and future trade agreements.

7 June

Malmierca and Venezuela's Minister Secretary of the Presidency, Simon Alberto Consalvi, exchange viewpoints on the Central American crisis and the foreign debt.

Carlos Rafael Rodriguez receives the credentials of Nadew Zekarias accrediting him as the new Ethiopian Ambassador to Cuba.

8 June

In El Nacional, Malmierca says that Latin America must find formulas to present a common front to its creditors in order to overcome the crisis that the unpayable foreign debt has created.

9 June

Deputy Foreign Minister Giraldo Mazola says Cuba has technical and medical teams in 15 African countries and is negotiating to send specialists in agriculture and public health to Burkina.

10 June

Havana International Service reports that the thermoelectrical plant located east of Havana will be completed and that the setup of 500-kilovolt transmission lines will continue.

Ministry of Foreign Relations official Alberto Betancourt heads a delegation to Algeria to discuss increasing trade relations for 1985-86.

11 June

Speaking on Namibia at the UN Security Council meeting, Foreign Minister Malmierca says the presence of Cuban internationalist forces in Angola is not related to Namibia.

Carlos Rafael Rodriguez receives the credentials of Manuel Pedro Pacavira accrediting him as the new Angolan Ambassador to Cuba.

12 June

Director of the State Sugar Council of the Dominican Republic, Victor Manuel Buez, asks Cuba to share with his country the financial advantages from the sale of Dominican sugar to the USSR.

In an interview with El Dia, Fidel Castro says economic integration is needed for Latin Americans to be able to live and develop independently.

Castro says "socialism offers fabulous prospects for development, the experience of our country proves it, and what we should be doing is perfecting socialism."

President of the National Assembly Flavio Bravo and his delegation depart for Brazil to participate as an observer in the 11th regular meeting of the Latin American Parliament.

Latin American Communist Party representatives meet in Havana and discuss the Latin American economic crisis, Central America, and Chile.

13 June

Havana Radio announces that Minister of Transportation Guillermo Garcia Frias has been dismissed from his position and will be replaced by Diocles Torralba Gonzalez, Minister of the Sugar Industry.

Antonio Rodriguez Maurell is the new Minister of the Sugar Industry.

The Council of State announces the creation of the Cuban Civil Aeronautics Institute and the appointment of Luis Orlando Dominguez as its president.

Cubana de Aviacion reports that it has enlarged its air fleet with two Soviet IL-76 wide-body cargo planes, which have a maximum capacity of 40 tons of cargo each.

14 June

The State Department announces that it will suspend the processing of preference immigrant visas in Havana on 18 June in response to Cuba's suspension of last December's immigration agreement with the United States.

Havana press announces that Spain's Prime Minister, Felipe Gonzalez, will visit Cuba in July.

National Institute of Tourism President Jose Luis Padron, Foreign Trade Minister Cabrizas, and Nicaraguan Tourism Minister Herty Lweites open the sixth tourism convention, Cuba-Tur-85, in Havana.

15 June

President of the National Assembly Flavio Bravo says in Brasilia that Cuba will request firm action from the Latin American Parliament for resolving the dramatic foreign debt crisis.

16 June

In Cuban Socialista, Fidel Castro Diaz-Balart says that in 15 years Cuba will be able to transfer 25 percent of electricity production to nuclear power stations.

17 June

Director of the Cuban World Economy Research Center Jose Luis Rodriguez announces in Brasilia that Cuba is perhaps the only Third World country in a position to pay off its foreign debt.

Prensa Latina reports that Cuba has purchased its first distillery from Brazil to produce fuel alcohol from sugarcane.

18 June

Miguel Angel Flores-Alora, Minister Counsellor and Charge d'Affaires ad interim of Bolivia, arrives in Havana to open the Bolivian Embassy.

At the inauguration of the Alejo Carpentier printing shop in Las Tunas, Politburo member Jose Ramon Machado says the plan to remodel and modernize the national press should be completed by 1990.

The US diplomatic mission in Havana stops processing visa applications from Cubans, effectively ending Cuban immigration to the United States.

19 June

In an interview with *Hoy*, Fidel Castro says the United States will not be able eternally to impede social changes in Latin America, just as it has not been able to stop the revolution in Nicaragua and Cuba.

Carlos Rafael Rodriguez accepts the credentials of Antonio Serrano de Haro Medialdea, accrediting him as the new Spanish Ambassador to Cuba.

Havana press announces that Cuba has been admitted as member with full rights to the Latin American Parliament, which is meeting in Brasilia.

20 June

Speaking at the Latin American Parliament, Flavio Bravo predicts violent outbursts which would devastate democratic governments if the foreign debt problem is not solved.

At the United Nations, Enrique Gonzalez Manet condemns Radio Marti, saying it is part of the US effort to impose a total dominant system and that its aggressions were designed by the State Department and CIA.

Foreign Minister Malmierca receives Miguel Angel Flores-Alora, Charge d'Affaires of Bolivia, to discuss the development of bilateral relations.

The London press reports that Bulgarian, Cuban, and East German troops are fighting alongside Soviet soldiers in Afghanistan.

21 June

Raul Castro, Vilma Espin, Guillermo Garcia, and Miguel Cano Blanco accompany a high-level delegation of the Uruguayan Communist Party on a visit to Moa in eastern Cuba.

24 June

Carlos Rafael Rodriguez addresses the 40th CEMA session in Poland. He says Latin America's inability to pay the foreign debt is such an absolute truth that adversaries have not challenged it.

During a two-day tour of Pinar del Rio Province, Trade and Tourism Minister of Czechoslovakia Jaroslav Zelko says his country's trade and tourism with Cuba will increase substantially.

Japanese bankers visit Cuba at the invitation of the National Bank of Cuba. They meet with the President of the National Bank, Raul Leon Torras, to discuss the Cuban economy and bilateral relations.

25 June

Politburo alternate member Jesus Montane receives Jesus Angel Paz Galarraga, Vice President of the Socialist Party of Venezuela to discuss Central America and the Latin American foreign debt.

Raul Castro accompanies a Uruguayan Communist Party delegation headed by Deputy Secretary General Jaime Perez to Santiago de Cuba to tour places of historical interest.

Expo Cuba-85 opens in Mexico City. The event seeks to develop bilateral industrial and economic cooperation and to increase trade fourfold in the short term.

27 June

Roberto Viega meets with members of the Executive Committee of Mexico's Revolutionary Labor Confederation. He invites them to participate in the forthcoming trade union conference in Cuba.

Politburo alternate member Jesus Montane meets in Havana with In'am Ra'd, former leader of the Syrian Social Nationalist Party in Lebanon, to discuss the international situation, especially Lebanon.

Secret**28 June**

In his interview in *Playboy* magazine, Fidel Castro says US-Cuban relations have worsened "considerably" since President Reagan's election and that he would meet Reagan in the interest of improving relations.

Minister President of the State Planning Board Humberto Perez and his East German counterpart, Gerhard Schuerer, sign an economic accord for 1986-90 in Berlin.

At a press conference in Mexico City, Roberto Viega says that sooner or later the foreign debt of Latin America will not be payable, and that either we unite or we sink.

29 June

Politburo member Jorge Risquet relays greetings from Fidel Castro to the symposium being held in Havana on the role of the trade union movement in the economic and labor education of the workers.

Jorge Debase, head of Cubatur, says Cuba has unveiled ambitious plans that could soon see tourism challenging sugar as the island's main source of hard currency.

Granma announces that low rainfall and high temperatures over the past two years have caused water rationing and a rise in diarrheal illnesses in Cuba.

Cuban authorities expell the Havana correspondent of Agence France Presse, Andre Birufoff, for what is described as "insulting Cuban womanhood."

30 June

Fidel Castro and Foreign Minister Malmierca receive Iranian official Dr. Larijani, who delivers a message from President Khamenei to Fidel. They discuss expanding ties and the Iraqi war.

Prensa Latina reports that "Air Cubana" will begin weekly flights to Brussels on 10 July. The flights will depart on Wednesdays, stopping in other European cities before returning on Thursdays.

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